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### Board Chairman B. M. Fauber's address at this year's District Manager's Conference

## **Adjusting to today's consumer demands**

There was a time about 3 years ago when the financial community experienced some difficulty believing K mart would ever adjust away from a strategy of proven success. This change in direction was recognized as necessary so as to take advantage of the changing consumer demands and compete more directly with the newer, regional-type, mass merchandiser. And to a degree their skepticism was well founded, as we did hesitate long enough to allow some competition to move ahead of us in certain areas. We were somewhat slow in responding to the change noted in consumer desires and attitudes. Thus, it is only fair to say our critics were partially correct.

Fortunately, however, they were *completely wrong* in their thinking that we would not at some point recognize our position, and have the courage to make the necessary corrections, while adopting the essential attitudes to put us back into a very healthy and competitive position in the U.S. marketplace.

In the time required to implement the changes and adjust attitudes, we did suffer a serious erosion of profits which thrust upon us a much greater challenge. I quite frankly am proud of the manner in which you and your managers are accepting that challenge. And might add, we are winning the battle and will continue to do so.

Outside forces, weather, economy and competition do have some effect on our results. Yet for the most part the improvements made to date, and all improvement brought about in 1983 and the years beyond, will be the direct result of our own initiative. Accomplishments of any significance will take place only because of actions taken by the group in this room today.

While reflecting on today's message to you, and in looking over some of what has been said to you in the past, I see and anticipate with enthusiasm the

completion of a five-part program that will make K mart the undisputed leading retailer of general merchandise in the United States. This will be done while simultaneously providing the financial capital to diversify our company into a broad spectrum of retailing and service related businesses.

The first step in this process was the very simple idea which was re-emphasized so strongly in 1980. The idea being, we must have an ongoing clean-up, fix-up, paint-up program in our stores. The reason being to make them a much more pleasant and inviting place for the American consumer to shop.

While we have done much in the way of refixturing our stores and department, and we have provided new and contemporary layouts, fixtures and merchandise adjacencies, the central thrust of the program and the one we attempted to convey to you back then was cleanliness and attractive merchandise presentation.

Corporately we will allocate sufficient capital to keep our stores as modern as any in the industry. We depend on you to see that this investment is well protected through a prideful maintenance program. I now sense in everyone, at *all* levels, a desire to have each store a neat, clean, well maintained facility, and am confident in continued progress along those lines.

The second part of our program, and the most fundamental for a retailer, was to adopt a new merchandising philosophy; not a new merchandising program, not simply the addition of merchandise to our assortments, but a whole new philosophy built upon the fundamental recognition that the K mart customer - those 180 million American consumers who are conveniently located to a K mart store - want low K mart prices but on *better quality products*. They *do not* want cheap merchandise with all the connotations of poor quality that the term implies. They do not necessarily want a large quantity